

# Finance and treasury management

Global expertise, local insights



**Treasury departments – key players in corporate management – are exposed to ever-challenging conditions. For the most part, this is caused by volatility in financial markets. The result is the need to constantly be prepared for critical eventualities. Yet, technological developments, recent regulatory changes and, in many cases, changes in corporate structures and business models, also call for extensive changes in finance and treasury management.**

## **Dynamic upheavals**

To a varying degree, new circumstances in the market, regulatory, technical, structural and organisational fields are challenging the work of treasury departments. Treasury departments not only face new tasks that affect them directly, but are also indirectly confronted with changes, such as those affecting controlling and purchasing departments – both of which are becoming increasingly linked to treasury departments.

Changes in business conditions are so profound and advancing at such a pace that there is limited time to respond. Structures, processes, plans and strategies need to be closely scrutinised for which far-reaching professional expertise and knowledge of methods are essential. Extensive expertise of objectives and approaches, IT solutions, as well as reporting, accounting, regulation and tax are required.

In certain cases, a new approach to treasury management may make more sense than a series of adjustments. In any case, functional requirements as well as the design of processes, technical implementation and compliance must be considered. Organisational flexibility and the capacity to tackle multiple changes are the key success parameters; that said, budget restrictions and HR limitations often negatively affect efforts.

In short, accounting principles, regulations, controlling concerns, IT strategies, as well as tax and HR issues need to be addressed in a holistic manner. If this happens, challenges turn into an opportunity to make treasury departments fit for the future in respect of their activities and importance.

## The path to this destination – integrated work

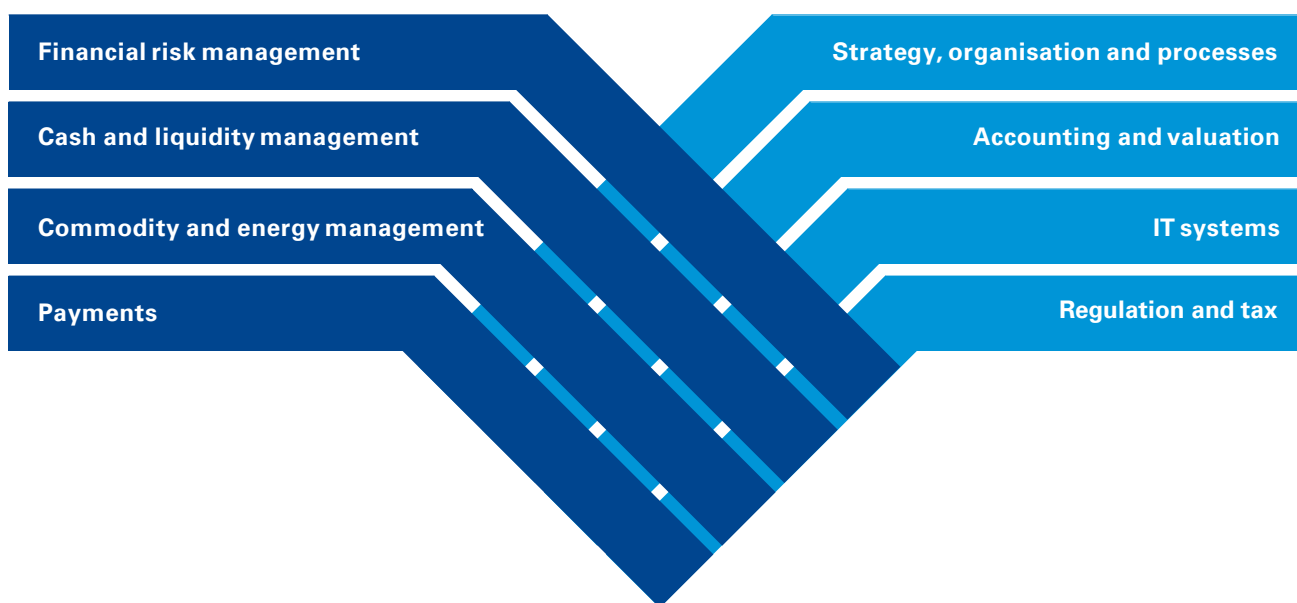
Treasury challenges can be ordered by functional impact. First, methods and approaches need to be developed which strategically match the specific issues. Second, there is also the issue of operational processes and systems. In the long run, overcoming this complexity is viable only if all aspects are coordinated and approached as one task.

The number, extent and impact of legal and regulatory requirements, both at the national and international level, have reached an unparalleled scale.

Based on more than 15 years' experience with diverse projects in finance and treasury management, KPMG has developed one integrated model that covers all relevant areas. We focus on selecting efficient means, paths and approaches that are appropriate to the scope of the challenge.

Based on your individual requirements, your KPMG team includes required specialist knowledge in all relevant disciplines, who are able to interweave advisory expertise and implementation skills. Taking into account the latest developments in the field of regulation, we explore the manner in which you can gain from the new technical resources and put to work the knowledge that we have gained from comparable projects.

### Areas of consulting



### Well-placed to serve you

We have been working closely with our clients as they respond to the opportunities offered by the Greater Bay Area and corporate treasury centre initiatives. Our experts can support you in the key aspects of treasury and financial risk management, treasury accounting, treasury tax, capital markets, working capital management and treasury IT. In addition, we maintain close working relations with leading IT and technology providers.

The challenges of finance and treasury management are comparable across all industries – process efficiency combined with cost reduction, while maintaining transparency of financial risks and compliance with regulatory requirements.

The core industry-specific areas are covered by our experience in key sectors including consumer and industrial markets, infrastructure, financial services, technology, media, and communications. We would be happy to meet with you to discuss how we can address your corporate treasury needs.

# Areas of consulting

## Your treasury department – key issues and main tasks

- Accurately inventorying the financial risk positions as the foundation for effective risk management
- Implementing clear and efficient hedging strategies to minimise risks effectively while optimising transaction costs
- Being transparent about how financial risks affect the balance sheet and profit and loss as a precondition for clear communication with the capital market

- Having precise knowledge of current liquidity and projected cash flows
- Identifying the relevant cash drivers and the levers to control them
- Reducing the cost of internal payment transactions
- Improving interest income through cash pooling

- Identifying and assessing enterprise-wide risk exposure
- Optimising suitable hedging strategies and instruments
- Centralising risk management and establishing suitable governance
- Selecting and introducing commodity trading and energy management systems
- Assessing and modelling hedge accounting measures

- Ensuring security and compliance in payment transactions
- Cutting costs through centralisation, automation and standardisation
- Integrating innovations and new payments such as mobile payments, and electronic bank account management in the treasury function

### Financial risk management

- Identifying risk drivers and setting up an early warning system for currency, interest, credit and default risk management
- Identifying your organisation's risk appetite and its risk bearing capacity
- Designing and testing of risk strategies and management models
- Supporting the organising of financial risk management and its operational processes
- Building an accurate reporting system (a 'risk management cockpit') tailored to the needs of its target groups

### Cash and liquidity management

- Designing and handling the technical implementation of integrated liquidity planning and analysis
- Establishing a system of value-based liquidity management
- Assessing the risk/return profile for capital investments and developing tax optimisation concepts
- Designing and implementing an in-house bank to manage intercompany payments
- Setting up tailor-made cash pooling structures and assisting with the selection of banks
- Designing appropriate tax terms and charge rates for enterprise-wide cash management

### Commodity and energy management

- Designing an exposure evaluation and Group-wide consolidation system
- Introducing ratios and scenarios for risk analysis
- Developing and optimising hedging strategies, end-to-end processes and risk management organisations
- Advising on IT-related implementation such as market databases, inventory management systems and at-risk methods for commodity and energy risks
- Advising on appropriate charge rates when implementing central purchasing and hedging strategies

### Payments

- Performing compliance checks
- Providing strategy consulting on payment transactions (business model, opportunity analysis, business case)
- Designing and implementing solutions for internal and external payment transactions (payment/collection factories, shared service centres)
- Assisting with the selection of banks (RFPs, beauty contests)
- Setting up technical connections (formats, connectivity, e-banking)

# Implementation skills

## Strategy, organisation and processes

- Benchmarking and reviewing to ensure proper operations, security and efficiency
- Consulting on M&A transactions – establishing new treasury organisations or integrating existing treasury units
- Aligning treasury organisations with current challenges and cost targets
- Re-engineering processes in light of strategic objectives and compliance requirements
- Supporting the production of guidelines and organisational design

## Accounting and valuation

- Analysing and optimising market data supply
- Launching and validating valuation models for financial derivatives, stock option programmes and complex financing structures
- Advising on how to implement and optimise the recognition of financial instruments in accordance with existing HKFRS, IFRS, PRCGAAP and USGAAP provisions, especially with regard to hedge accounting requirements
- Designing, implementing and testing/supervising the transition to the HKFRS/ IFRS 9 provisions
- Defining and establishing a reporting system to meet disclosure requirements

## IT systems

- Analysing and designing system architectures and interfaces
- Selecting, introducing and optimising suitable treasury management systems and reporting platforms
- Assuring quality and performing tests/inspections during projects to launch or improve IT systems
- Performing health checks for existing system environments with regard to process efficiency, functionality, system operations, costs and sustainability
- Designing and optimising the treasury reporting system

## Regulation and tax

- Analysing implications and advising on implementation of financial market regulations (EMIR, MiFID and equivalent local regulations)
- Advising on supervisory implications for treasury organisation
- Analysing the impact of tax-related and supervisory initiatives (FATCA, financial transaction tax, Basel III)

## Your treasury department – key issues and main tasks

- Benchmarking the treasury function against your peer group and plotting a treasury roadmap
- Striking the right balance between efficiency and compliance requirements
- Reorganising and adjusting the treasury function in line with new requirements (centralisation, set-up of a corporate treasury centre, corporate transactions such as carveouts or mergers)
- Implementing valuation methods in line with market requirements
- Applying accounting methods with secure audit trails, especially in hedge accounting
- Accompanying the transition to HKFRS/ IFRS 9
- Cutting costs by standardising reporting
- Homogenising system landscapes that feature numerous interfaces and reduction of manual activities
- Sketching the future orientation of the treasury's IT landscape
- Reducing the cost and effort involved in treasury reporting, while making it more relevant to users
- Applying new technologies such as cloud computing and big data in treasury contexts
- Implementing the requirements of EMIR and and equivalent local regulations
- Assessing the impact of regulatory initiatives
- Minimising tax risks arising from cash pools and financing measures

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